

CITY OF MITCHELLVILLE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2014

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CITY OF MITCHELLVILLE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2014)		
Bill Roberts.	Mayor.	Dec 2013
Dean McGhee.	Council Member.	Dec 2015
Deb Thomas.....	Council Member.	Dec 2015
Ken Thomas.....	Council Member.	Dec 2013
Chad Snyder.....	Council Member.	Dec 2013
Steve Zook.	Council Member.	Dec 2013
Ruth Norton.	City Administrator/Clerk.	Indefinite
Bill Mallory.	City Attorney.....	Indefinite
Timothy Brandt.	Director Public Works..	Indefinite
Mike Twohey.....	Fire Chief.	Indefinite
(After January, 2014)		
Jeremy Filbert.	Mayor.	Dec 2015
Dean McGhee.	Council Member.	Dec 2015
Deb Thomas.....	Council Member.	Dec 2015
Joe Crook.....	Council Member.	Dec 2017
Laura Engler.....	Council Member.	Dec 2017
Steve Zook.	Council Member.	Dec 2017
Ruth Norton.	City Administrator/Clerk.	Indefinite
Bill Mallory.	City Attorney.....	Indefinite
Wayne Patterson.	Director Public Works..	Indefinite
Mike Twohey.....	Fire Chief.	Indefinite

City of Mitchellville



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mitchellville's basic financial statements. The financial statements for the nine years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2015 on our consideration of the City of Mitchellville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Mitchellville's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
January 21, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Mitchellville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased by approximately \$164,700, from fiscal year 2013 to fiscal year 2014 due to the new utility franchise tax and insurance collected on a fire truck.
- Disbursements of the City's governmental activities increased approximately \$270,000, from fiscal year 2013 to fiscal year 2014 due to the purchase of a fire truck and increased street maintenance costs.
- The City's total cash basis net position for fiscal year 2014 was \$1,183,768. Of this amount, the cash basis net position of the governmental activities was \$761,737 and the cash basis net position of the business type activities was \$422,031.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has three kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The major governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, and 4) the Fire Truck Replacement Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 3) Fiduciary funds are used to account for resources held by the City in a trustee capacity as an agent for individuals, private organizations and/or other funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for services	\$ 161,567	\$ 137,962
Operating grants, contributions and restricted interest	415,402	290,201
General receipts:		
Property and other city tax		
General purpose	616,132	541,399
Debt service	115,597	92,659
Tax incremental financing	4,906	77,091
Unrestricted interest on investments	1,312	1,449
Miscellaneous	24,437	33,934
Total receipts	<u>1,339,353</u>	<u>1,174,695</u>
Disbursements:		
Public safety	511,654	299,369
Public works	324,502	251,704
Health and social services	1,000	1,500
Culture and recreation	168,477	127,323
Community and economic development	12,060	64,750
General government	77,841	82,611
Debt service	202,225	200,488
Total disbursements	<u>1,297,759</u>	<u>1,027,745</u>
Change in cash basis net position before transfers	41,594	146,950
Transfers, net	<u>52,305</u>	<u>61,263</u>
Change in cash basis net position	93,899	208,213
Cash basis net position beginning of year	<u>667,838</u>	<u>459,625</u>
Cash basis net position end of year	<u>\$ 761,737</u>	<u>\$ 667,838</u>

The City's total receipts for governmental activities increased 14.0%, or approximately \$164,700 from fiscal year 2013. The total cost of all programs and services increased approximately \$270,000 or 26.3% with no new programs added this year.

The cost of all governmental activities this year was approximately \$1.298 million compared to approximately \$1.028 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$721,000 because some of the cost was paid by those directly benefited from the programs (approximately \$162,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$415,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2014 from approximately \$428,000 to approximately \$577,000, principally due to insurance proceeds and increased building permit receipts.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 508,699	\$ 508,780
Sewer	381,914	313,243
Unrestricted interest on investments	67	-
Total receipts	<u>890,680</u>	<u>822,023</u>
Disbursements:		
Water	402,442	417,679
Sewer	<u>454,601</u>	<u>397,670</u>
Total disbursements	<u>857,043</u>	<u>815,349</u>
Change in cash basis net position before transfers	33,637	6,674
Transfers, net	<u>(52,305)</u>	<u>(61,263)</u>
Change in cash basis net position	(18,668)	(54,589)
Cash basis net position beginning of year	<u>440,699</u>	<u>495,288</u>
Cash basis net position end of year	<u>\$ 422,031</u>	<u>\$ 440,699</u>

Total business type activities receipts for the fiscal year were approximately \$891 thousand compared to approximately \$822,000 last year. This significant increase was due primarily to increased sewer rates. The cash balance decreased approximately \$19,000 from the prior year because of work done on the sewer rehab project. Total disbursements for the fiscal year increased 5.1% to approximately \$857,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Mitchellville completed the year, its governmental funds reported a combined fund balance of \$761,737, an increase of \$93,898 above last year's total of \$667,839. The following increases are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund had an increase in receipts, and an increase in spending. Receipts from this new utility franchise tax were \$45,651. During the year general receipts for general purpose property tax increased \$39,814 from \$364,375 in 2013 to \$420,122 in 2014. The increase in spending was for a new fire truck and increased library maintenance costs.
- The Special Revenue, Road Use Tax Fund cash balance had a decrease of \$7,271 from \$186,512 for an end of year balance \$179,241. This was due to increased street maintenance costs. The Road Use Tax Fund money is used to help maintain or upgrade the condition of all City roads.
- The Special Revenue, Employee Benefits Fund is a Special Revenue Fund that accounts for revenues received and expenditures paid in support of employee benefits. The types of revenues received are property taxes assessed for the employer contributions for health insurance, FICA, IPERS, and unemployment benefits. The fund showed a net increase of \$17,657 with an ending cash balance of \$60,538.
- The Special Revenue, Fire Truck Replacement Fund was established to account for the replacement of a fire truck. At the end of the fiscal year, the cash balance was \$164,489, an increase of \$8,204 from the previous year. The increase was the result of transfers from the General Fund.

- The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation and long-term debt. The City transferred \$74,705 from other funds to make payments for these obligations. The ending cash balance decreased \$11,923 due to required debt service payments.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$53,969 due primarily to decreased operating disbursements.
- The Enterprise, Sewer Fund cash balance decreased by \$72,637 due to an increase in disbursements for capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 27, 2014 and resulted in an increase in operating disbursements related to the fire truck purchase and additional disbursements in certain city departments.

The City's receipts were \$29,247 more than budgeted. This was primarily due to the City receiving more in intergovernmental receipts even after the amendments.

Even with the budget amendments, total disbursements were \$275,863 less than the amended budget. Actual disbursements for the public safety, culture and recreation and general government functions were \$62,243, \$29,536 and \$17,922, respectively, less than the amended budget.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2014 due to fees charged on general obligation bonds.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$3,611,840 in bonds and other long-term debt outstanding, compared to last year, as shown below.

Outstanding Debt at Year-End		
	June 30	
	2014	2013
General Obligation Capital Loan Notes	\$1,145,000	\$1,301,000
Revenue Bonds and Loan Notes	2,238,000	2,397,000
Urban Service Area Agreement	<u>228,840</u>	<u>242,955</u>
Total	<u>\$3,611,840</u>	<u>\$3,940,955</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,145,000 is below its constitutional debt limit of \$3,898,682. The additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Mitchellville's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees charged for various City activities.

Property tax valuations are expected to remain steady. The amount needed for the debt service levy is expected to decrease. Budgeted disbursements are expected to increase approximately \$165,000. Increased sewer rehab costs represent the largest increase.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tammi Dillavou, Chief Financial Officer, 204 Center Avenue N, PO Box 817, Mitchellville, Iowa 50169.

Basic Financial Statements

CITY OF MITCHELLVILLE

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

		Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
	<u>Disbursements</u>		
Functions/Programs:			
Governmental activities:			
Public safety	\$ 511,654	\$ 37,591	\$ 166,077
Public works	324,502	76,302	225,070
Health and social services	1,000	-	-
Culture and recreation	168,477	914	24,255
Community and economic development	12,060	43,929	-
General government	77,841	2,831	-
Debt service	202,225	-	-
Total governmental activities	<u>1,297,759</u>	<u>161,567</u>	<u>415,402</u>
Business type activities:			
Water	402,442	508,699	-
Sewer	454,601	381,914	-
Total business type activities	<u>857,043</u>	<u>890,613</u>	<u>-</u>
Total	<u>\$ 2,154,802</u>	<u>\$ 1,052,180</u>	<u>\$ 415,402</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Unrestricted interest on investments			
Miscellaneous			
Sale of capital assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (307,986)	\$ -	\$ (307,986)
(23,130)	-	(23,130)
(1,000)	-	(1,000)
(143,308)	-	(143,308)
31,869	-	31,869
(75,010)	-	(75,010)
(202,225)	-	(202,225)
(720,790)	-	(720,790)
-	106,257	106,257
-	(72,687)	(72,687)
-	33,570	33,570
(720,790)	33,570	(687,220)
616,132	-	616,132
115,597	-	115,597
4,906	-	4,906
1,312	67	1,379
24,137	-	24,137
300	-	300
52,305	(52,305)	-
814,689	(52,238)	762,451
93,899	(18,668)	75,231
667,838	440,699	1,108,537
\$ 761,737	\$ 422,031	\$ 1,183,768
\$ 39,938	\$ -	\$ 39,938
179,241	-	179,241
3,359	20,063	23,422
197,179	-	197,179
342,020	401,968	743,988
\$ 761,737	\$ 422,031	\$ 1,183,768

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2014

		Special Revenue		
	General	Road Use Tax	Employee Benefit Tax	Fire Truck Replacement
Receipts:				
Property tax	\$ 420,122	\$ -	\$ 150,360	\$ -
Tax increment financing	-	-	-	-
Other city tax	45,651	-	-	-
Licenses and permits	46,685	-	-	-
Uses of money and property	1,827	-	-	-
Intergovernmental	97,099	225,070	-	-
Charges for service	114,881	-	-	-
Special assessments	3,366	-	-	-
Miscellaneous	111,557	-	-	-
Total receipts	841,188	225,070	150,360	-
Disbursements:				
Operating:				
Public safety	317,195	-	91,918	102,539
Public works	76,409	232,341	15,750	-
Health and social services	1,000	-	-	-
Culture and recreation	150,021	-	18,456	-
Community and economic development	8,494	-	-	-
General government	71,264	-	6,579	-
Debt service	-	-	-	-
Total disbursements	624,383	232,341	132,703	102,539
Excess (deficiency) of receipts over (under) disbursements	216,805	(7,271)	17,657	(102,539)
Other financing sources (uses):				
Sale of capital assets	300	-	-	-
Operating transfers in	13,762	-	-	110,743
Operating transfers out	(145,972)	-	-	-
Total other financing sources (uses)	(131,910)	-	-	110,743
Change in cash balances	84,895	(7,271)	17,657	8,204
Cash balances beginning of year	257,389	186,512	42,881	96,285
Cash balances end of year	\$ 342,284	\$ 179,241	\$ 60,538	\$ 104,489
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Debt service	-	-	-	-
Streets	-	179,241	-	-
Other purposes	-	-	60,538	104,489
Unassigned	342,284	-	-	-
Total cash basis fund balances	\$ 342,284	\$ 179,241	\$ 60,538	\$ 104,489

See notes to financial statements.

Debt Service	Nonmajor	Total
\$ 115,597	\$ -	\$ 686,079
-	4,906	4,906
-	-	45,651
-	-	46,685
-	-	1,827
-	-	322,169
-	-	114,881
-	933	4,299
-	996	112,553
115,597	6,835	1,339,050
-	-	511,652
-	-	324,500
-	-	1,000
-	-	168,477
-	3,566	12,060
-	-	77,843
202,225	-	202,225
202,225	3,566	1,297,757
(86,628)	3,269	41,293
-	-	300
74,705	-	199,210
-	(933)	(146,905)
74,705	(933)	52,605
(11,923)	2,336	93,898
15,282	69,490	667,839
\$ 3,359	\$ 71,826	\$ 761,737
\$ -	\$ 39,938	\$ 39,938
3,359	-	3,359
-	-	179,241
-	32,152	197,179
-	(264)	342,020
\$ 3,359	\$ 71,826	\$ 761,737

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 508,699	\$381,915	\$ 890,614
Total operating receipts	508,699	381,915	890,614
Operating disbursements:			
Business type activities:	248,636	287,445	536,081
Total operating disbursements	248,636	287,445	536,081
Excess of operating receipts over operating disbursements	260,063	94,470	354,533
Non-operating receipts (disbursements):			
Interest on investments	16	49	65
Capital projects	-	(84,058)	(84,058)
Debt service	(153,805)	(83,098)	(236,903)
Net non-operating receipts (disbursements)	(153,789)	(167,107)	(320,896)
Excess (deficiency) of receipts over (under) disbursements	106,274	(72,637)	33,637
Other financing (uses)			
Operating transfers (out)	(52,305)	-	(52,305)
Total other financing (uses)	(52,305)	-	(52,305)
Change in cash balances	53,969	(72,637)	(18,668)
Cash balances beginning of year	80,761	359,938	440,699
Cash balances end of year	\$ 134,730	\$ 287,301	\$ 422,031
Cash Basis Fund Balances			
Restricted for debt service	\$ 13,060	\$ 7,003	\$ 20,063
Unrestricted	121,670	280,298	401,968
Total cash basis fund balances	\$ 134,730	\$ 287,301	\$ 422,031

See notes to financial statements.

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Fiduciary Funds

As of and for the year ended June 30, 2014

	Blake Trust	Library Memorial	Thomas Mitchell Historical Society
Receipts:			
Use of money and property	\$ 226	\$ 41	\$ -
Miscellaneous	-	973	376
Total receipts	226	1,014	376
Disbursements	-	18,000	1,134
Change in cash balances	226	(16,986)	(758)
Cash balance beginning of year	63,998	32,709	3,919
Cash balance end of year	<u>\$ 64,224</u>	<u>\$ 15,723</u>	<u>\$ 3,161</u>

See notes to financial statements.

CITY OF MITCHELLVILLE

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Mitchellville, Iowa is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mitchellville has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the City's citizenry, but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: The Safety Coalition of Central Iowa Cities, HAZ-MAT Services, Urban Design Standards and Construction Specification Agreement, City of Colfax Mutual Fire and Police Assistance Agreement, Mud Creek, Spring Creek & Camp Creek Watershed Authority, and Des Moines Regional Transit Authority.

As of July, 2010, in conjunction with 23 other governmental agencies, the City became a member, under a 28E agreement, of the Central Regional Iowa Drinking Water Commission, which shall provide planning activities for water supply, treatment, distribution and storage facilities when the activities impact two or more members. The Commission board consists of a representative of each of the participating members.

In addition, the City, in conjunction with seventeen other cities, created the Metro Waste Authority. The Authority board consists of an elected representative of the governing body of each participating governmental jurisdiction. The purpose of this joint public body is to provide for the economic disposal of all solid waste produced or generated by the jurisdictions and private contractors. During the year ended June 30, 2014, the City paid the Metro Waste Authority \$16,816 for the Curb It Program.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position.

Net position is reported in three categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefit Fund is used to account for the tax levy and the disbursement for the benefits.

Fire Truck Replacement Fund is used to account for the replacement of the fire truck.

The Debt Service Fund is utilized to account for the property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following additional funds:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. The City's fiduciary funds consist of:

Agency Funds: Are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. The City has the following agency funds:

Blake Trust, Library Memorial and Thomas Mitchell Historical Society.

C. Measurement Focus and Basis of Accounting

The City of Mitchellville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued June 30, 2014

(1) **Summary of Significant Accounting Policies - Continued**

C. Measurement Focus and Basis of Accounting - Continued

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$753,518 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(2) Cash and Pooled Investments - Continued

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements for general obligation notes, revenue bonds and notes and for the Urban Service Area Agreement are as follows:

Year Ending June 30	General Obligation Bonds		Revenue Bonds/Notes		Urban Service Area Agreement		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 162,000	\$ 38,660	\$ 163,000	\$ 67,140	\$ 14,715	\$ -	\$ 339,715	\$105,800
2016	163,000	32,945	168,000	62,250	15,316	-	346,316	95,195
2017	140,000	27,130	174,000	57,210	15,917	-	329,917	84,340
2018	146,000	22,205	179,000	51,990	16,818	-	341,818	74,195
2019	153,000	16,985	184,000	46,620	17,418	-	354,418	63,605
2020-2024	263,000	41,880	1,005,000	147,000	100,606	-	1,368,606	188,880
2025-2026	118,000	5,340	365,000	15,330	48,050	-	531,050	20,670
Total	<u>\$1,145,000</u>	<u>\$185,145</u>	<u>\$2,238,000</u>	<u>\$447,540</u>	<u>\$ 228,840</u>	<u>\$ -</u>	<u>\$3,611,840</u>	<u>\$632,685</u>

Urban Service Area Agreement

In October 2005, Polk County and the City entered into an agreement under Chapter 28 of the Code of Iowa to provide water and sewer extensions to customers outside the city limits. In prior years, the service fees were divided 50% to the City and 50% to a Joint Water and Sewer Trust Fund maintained by the County to be applied to construction costs within the Urban Service area. On October 29, 2009, the agreement was amended as follows: beginning in the year ending June 30, 2011 and continuing until January, 2026, the city will make annual payments to Polk County to repay 75% of the construction costs. As of June 30, 2014, the total to be paid is \$228,840. The remainder will be paid by revenues generated from connection fees and development agreements.

Revenue Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,230,000 in water revenue bonds issued in September 2005. Proceeds from the bonds provided financing for the water system construction and improvement. The bonds are payable solely from water customer net receipts and are payable through 2026. The total principal and interest remaining to be paid on the bonds is \$1,798,690. For the current year, principal and interest paid and customer net receipts were \$149,820 and \$260,062, respectively.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(3) Bonds and Notes Payable - Continued

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,200,000 in sewer revenue capital notes issued in May 2004. Proceeds from the notes provided financing for the sewer treatment plant construction and improvement. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$886,850. For the current year, principal and interest paid and customer net receipts were \$81,090 and \$94,468, respectively.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of each enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the activity at least sufficient to pay the expenses of operation and maintenance and to have a balance of net revenues equal to at least 110% of the principal and interest on the bonds/notes falling due in the same year. During the year, the City met this test for both water and sewer operations.

(4) Urban Renewal Area Tax Increment Financing

In 1994, the City established an Urban Renewal Area. In accordance with Chapter 403.19 of the Code of Iowa, the City may enter into an agreement with the county, school and other taxing jurisdictions, to use the increase in taxes, as a result of the incremental property tax valuation increase, in the Urban Renewal Area. The taxes so collected are paid into the City's Special Revenue Fund and are expended on project costs and obligations.

In 2006, the City and Eastern Polk Development, LLC entered into a development agreement in which the City will pay the tax increment financing taxes to the entity, beginning on the date that the taxes become available and continuing for a total of ten fiscal years. The total payments shall not exceed \$700,000. The City has certified the agreement to the county auditor and the first year of collection was June 30, 2012. The obligation is not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. The balance of the tax increment financing taxes to be paid to the developer to satisfy the remaining obligation at June 30, 2014 was \$428,767, if all 20 lots are developed.

The agreement specifically requires the developer to build on 20 lots which must qualify for low and moderate income (LMI) housing. Upon completion of such, the developer will receive \$200,000 of LMI funds. The City is accumulating the LMI portion of the tax increment financing taxes in a special revenue fund. If the developer does not fulfill the obligation, the City will be required to develop a plan to spend the accumulated LMI funds in a residential development area.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(5) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$42,997, \$36,223 and \$31,970, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned termination payments payable to employees at June 30, 2014, primarily relating to the General Fund, is \$15,000. This liability has been computed based on rates of pay as of June 30, 2014.

(7) Risk Management

(a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(7) Risk Management - Continued

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$33,206.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

- (b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2014 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the period ended June 30, 2014, the City paid worker's compensation insurance premiums of \$14,550 to the Association.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

	Transfer To			Total
	General	Fire Truck	Debt Service	
Transfer from				
Water	\$ -	\$ -	\$ 52,305	\$ 52,305
General	-	110,743	22,400	133,143
Tax Increment Financing	933	-	-	933
	<u>\$ 933</u>	<u>\$ 110,743</u>	<u>\$ 74,705</u>	<u>\$ 186,381</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(9) Other Post-Employment Benefits (OPEB)

Plan Description - The City participates in a single-employer benefit plan which provides medical/prescription drug and dental benefits for active employees, retirees and their spouses. There are 10 active, 0 COBRA and no retired members in the plan. Participants must be age 55 or older at retirement. The benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the full premium for the benefits while the City contributes to the premium of active employees.

Funding Policy - The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$754 for single coverage, and \$1,908 for family coverage. The City pays the full cost of the single coverage and 30% of the difference between single coverage and any family coverage for those employees electing such coverage. The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2014 the City contributed \$150,347 and plan members eligible for benefits contributed \$24,696 to the plan.

(10) Commitments

- A. In July 2011, the U.S. Environmental Protection Agency (EPA) issued an Administrative Compliance Order based on an inspection of the Mitchellville Waste Water Treatment Facility. Subsequently, the City hired an engineering firm to address the EPA's remedial requirements and identify causes of the violations at the Facility. Among other issues, the engineers considered inflow and infiltration in the collection system. The report has been submitted and approved by the EPA. The City has committed to the 2013 collection system rehabilitation project and has been approved for a Community Development Block Grant application to help defray some of the project costs. The cost of the project was estimated to be \$1,100,000. The City has spent \$84,058 towards the Rehab Project at June 30, 2014.

CITY OF MITCHELLVILLE

Notes to Financial Statements - Continued

June 30, 2014

(10) Commitments - Continued

- B. Effective January 1, 2013, the City and Metro Waste Authority entered into an agreement to pay 93 monthly payments for the use of totter garbage carts. The monthly payments are estimated to be \$305. At June 30, 2014, the estimated remaining payments totaled \$23,340.
- C. The City has construction commitments to be financed from capital project funds. The total outstanding construction commitments of the City as of June 30, 2014 is approximately \$94,500, which will be paid as work projects progress.

(11) Deficit Balance

The Tax Increment Financing (TIF) Fund had a deficit balance of \$264 at June 30, 2014. The deficit balance was a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of TIF collections.

(12) Subsequent Events

The City has evaluated all subsequent events through January 21, 2015, the date the financial statements were available to be issued.

The City entered into construction contracts of approximately \$688,000 for the Sanitary Sewer Rehabilitation Project.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

City of Mitchellville

Other Information

CITY OF MITCHELLVILLE

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 686,079	\$ -	\$ 686,079
Tax increment financing	4,906	-	4,906
Other city tax	45,651	-	45,651
Licenses and permits	46,685	-	46,685
Uses of money and property	1,827	65	1,892
Intergovernmental	322,169	-	322,169
Charges for service	114,881	890,614	1,005,495
Special assessments	4,299	-	4,299
Miscellaneous	112,553	-	112,553
Total receipts	1,339,050	890,679	2,229,729
Disbursements:			
Public safety	511,652	-	511,652
Public works	324,500	-	324,500
Health and social services	1,000	-	1,000
Culture and recreation	168,477	-	168,477
Community and economic development	12,060	-	12,060
General government	77,843	-	77,843
Debt service	202,225	-	202,225
Business type activities	-	857,042	857,042
Total disbursements	1,297,757	857,042	2,154,799
Excess (deficiency) of receipts over (under) disbursements	41,293	33,637	74,930
Other financing sources (uses), net	52,605	(52,305)	300
Excess (deficiency) of receipts over (under) disbursements and other financing uses	93,898	(18,668)	75,230
Balances beginning of year	667,839	440,699	1,108,538
Balances end of year	\$ 761,737	\$ 422,031	\$ 1,183,768

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Actual Variance Positive (Negative)
<u>Original</u>	<u>Final</u>	
\$ 677,682	\$ 677,682	\$ 8,397
-	4,906	-
3,650	3,650	42,001
7,575	42,575	4,110
3,350	3,350	(1,458)
271,066	271,066	51,103
1,072,075	1,072,075	(66,580)
-	400	3,899
37,936	124,778	(12,225)
2,073,334	2,200,482	29,247
417,540	573,895	62,243
320,934	325,674	1,174
1,400	1,400	400
174,013	198,013	29,536
8,850	12,417	357
95,765	95,765	17,922
201,725	201,725	(500)
1,021,773	1,021,773	164,731
2,242,000	2,430,662	275,863
(168,666)	(230,180)	305,110
186,800	-	300
18,134	(230,180)	305,410
1,064,478	1,064,478	44,060
<u>\$ 1,082,612</u>	<u>\$ 834,298</u>	<u>\$ 349,470</u>

CITY OF MITCHELLVILLE

Notes To Other Information - Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$188,662. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service function by \$500.

Supplementary Information

CITY OF MITCHELLVILLE

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Special Revenue			
	Tax Increment Financing	Increment Financing LMI	Park Fund	Special Assessment
Receipts:				
Tax increment financing	\$ 4,906	\$ -	\$ -	\$ -
Special assessments	-	-	-	933
Miscellaneous	-	-	-	-
Total receipts	4,906	-	-	933
Disbursements:				
Operating:				
Community and economic development	3,566	-	-	-
Total disbursements	3,566	-	-	-
Excess of receipts over disbursements	1,340	-	-	933
Other financing sources (uses):				
Operating transfers out	-	-	-	(933)
Total other financing sources (uses)	-	-	-	(933)
Change in cash balances	1,340	-	-	-
Cash balances beginning of year	(1,604)	28,752	3,400	-
Cash balances end of year	\$ (264)	\$ 28,752	\$ 3,400	\$ -
Cash Basis Fund Balances				
Nonspendable				
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for				
Other purposes	-	28,752	3,400	-
Unassigned	(264)	-	-	-
Total cash basis fund balances	\$ (264)	\$ 28,752	\$ 3,400	\$ -

See accompanying independent auditor's reports.

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ -	\$ 4,906
-	933
996	996
996	6,835
-	3,566
-	3,566
996	3,269
-	(933)
-	(933)
996	2,336
38,942	69,490
<u>\$ 39,938</u>	<u>\$ 71,826</u>
\$ 39,938	\$ 39,938
-	32,152
-	(264)
<u>\$ 39,938</u>	<u>\$ 71,826</u>

CITY OF MITCHELLVILLE

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water capital notes	June, 2006	3.00%	\$ 1,050,000
Library renovations	August, 2006	4.25	255,000
City hall/Center Avenue improvements	June, 2008	3.40-3.90	810,000
Capital loan notes - Series 2009A	July, 2009	4.00	185,000
Total			
Revenue Bonds/Notes			
Sewer Revenue Capital Notes	May, 2004	3.00%	\$ 1,200,000
Water Revenue Bonds	September, 2005	3.00	2,230,000
Total			
Urban Service Area Agreement	October, 2005	0.00%	\$281,696

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 646,000	\$ -	\$ 41,000	\$ 605,000	\$ 19,380
90,000	-	30,000	60,000	3,825
445,000	-	65,000	380,000	16,105
120,000	-	20,000	100,000	4,800
<u>\$ 1,301,000</u>	<u>\$ -</u>	<u>\$ 156,000</u>	<u>\$ 1,145,000</u>	<u>\$ 44,110</u>
\$ 803,000	\$ -	\$ 57,000	\$ 746,000	\$ 24,090
1,594,000	-	102,000	1,492,000	47,820
<u>\$ 2,397,000</u>	<u>\$ -</u>	<u>\$ 159,000</u>	<u>\$ 2,238,000</u>	<u>\$ 71,910</u>
<u>\$ 242,955</u>	<u>\$ -</u>	<u>\$ 14,115</u>	<u>\$ 228,840</u>	<u>\$ -</u>

CITY OF MITCHELLVILLE

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds and Notes					
	Water Capital Notes		Capital Loan Notes Series 2009A		Library Renovations	
	Issued June 1, 2006		Issued July 22, 2009		Issued August 21, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	3.00%	\$ 42,000	4.00%	\$ 20,000	4.25%	\$ 30,000
2016	3.00	43,000	4.00	20,000	4.25	30,000
2017	3.00	45,000	4.00	20,000	-	-
2018	3.00	46,000	4.00	20,000	-	-
2019	3.00	48,000	4.00	20,000	-	-
2020	3.00	49,000	-	-	-	-
2021	3.00	51,000	-	-	-	-
2022	3.00	53,000	-	-	-	-
2023	3.00	54,000	-	-	-	-
2024	3.00	56,000	-	-	-	-
2025	3.00	58,000	-	-	-	-
2026	3.00	60,000	-	-	-	-
Total		<u>\$ 605,000</u>		<u>\$ 100,000</u>		<u>\$ 60,000</u>

Year Ending June 30,	Water Revenue Bonds		Sewer Revenue Capital Notes		Urban Service Area	
	Issued September 21, 2005		Issued May 17, 2004		Issued October 29, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	3.00%	\$ 105,000	3.00%	\$ 58,000	-%	\$ 14,715
2016	3.00	108,000	3.00	60,000	-	15,316
2017	3.00	112,000	3.00	62,000	-	15,917
2018	3.00	115,000	3.00	64,000	-	16,818
2019	3.00	118,000	3.00	66,000	-	17,418
2020	3.00	122,000	3.00	67,000	-	18,319
2021	3.00	126,000	3.00	69,000	-	19,220
2022	3.00	129,000	3.00	72,000	-	20,121
2023	3.00	133,000	3.00	74,000	-	21,022
2024	3.00	137,000	3.00	76,000	-	21,923
2025	3.00	141,000	3.00	78,000	-	23,425
2026	3.00	146,000	-	-	-	24,626
Total		<u>\$1,492,000</u>		<u>\$ 746,000</u>		<u>\$ 228,840</u>

See accompanying independent auditor's report.

City Hall/ Center Avenue Issued June 17, 2008		
Interest Rates	Amount	Total
3.40%	\$ 70,000	\$ 162,000
3.50	70,000	163,000
3.70	75,000	140,000
3.80	80,000	146,000
3.90	85,000	153,000
-	-	49,000
-	-	51,000
-	-	53,000
-	-	54,000
-	-	56,000
-	-	58,000
-	-	60,000
	<u>\$ 380,000</u>	<u>\$ 1,145,000</u>

CITY OF MITCHELLVILLE

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2014	2013	2012	2011	2010
Receipts:					
Property tax	\$ 686,079	\$ 634,058	\$ 626,826	\$ 607,925	\$ 591,537
Tax increment financing	4,906	77,091	26,623	-	-
Other city tax	45,651	-	-	-	-
Licenses and permits	46,685	6,994	9,858	17,371	6,365
Use of money and property	1,827	1,449	2,232	2,927	4,300
Special assessments	4,299	1,487	400	888	948
Intergovernmental	322,169	290,201	308,088	283,315	259,532
Charges for service	114,881	137,962	121,813	85,611	93,650
Miscellaneous	112,553	25,453	17,075	23,469	20,317
Total	<u>\$ 1,339,050</u>	<u>\$ 1,174,695</u>	<u>\$ 1,112,915</u>	<u>\$ 1,021,506</u>	<u>\$ 976,649</u>
Disbursements:					
Operating:					
Public safety	\$ 511,652	\$ 299,369	\$ 312,973	\$ 327,179	\$ 271,759
Public works	324,500	251,704	229,355	254,744	304,644
Health and social services	1,000	1,500	-	-	-
Culture and recreation	168,477	127,323	136,225	136,693	141,008
Community and economic development	12,060	64,750	25,641	5,960	6,152
General government	77,843	82,611	67,576	53,633	96,077
Debt service	202,225	200,488	221,147	272,475	269,577
Capital projects	-	-	-	-	251,084
Total	<u>\$ 1,297,757</u>	<u>\$1,027,745</u>	<u>\$ 992,917</u>	<u>\$ 1,050,684</u>	<u>\$ 1,340,301</u>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005
\$ 534,729	\$ 503,636	\$ 484,798	\$ 499,829	\$ 492,370
-	-	-	-	-
-	-	-	-	-
8,592	11,926	12,664	14,828	8,525
12,799	26,476	32,527	16,155	7,166
400	-	-	-	-
296,142	253,493	303,544	214,152	185,486
93,874	127,224	126,160	113,830	113,646
76,533	106,943	681,272	62,197	35,337
<u>\$ 1,023,069</u>	<u>\$ 1,029,698</u>	<u>\$ 1,640,965</u>	<u>\$ 920,991</u>	<u>\$ 842,530</u>
\$ 326,809	\$ 389,989	\$ 413,684	\$ 304,815	\$ 268,519
281,503	442,743	513,887	274,089	224,577
150,021	123,509	110,388	120,699	120,433
11,004	24,787	16,638	5,863	5,857
99,344	111,070	78,508	92,410	90,115
274,753	199,658	154,753	71,208	73,702
896,560	237,685	745,256	43,254	-
<u>\$ 2,039,994</u>	<u>\$ 1,529,441</u>	<u>\$ 2,033,114</u>	<u>\$ 912,338</u>	<u>\$ 783,203</u>

City of Mitchellville



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Mitchellville, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 21, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Mitchellville's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Mitchellville's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Mitchellville's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we have identified a deficiency in internal control, described in Part II of the accompanying Schedule of Findings that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Mitchellville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-14 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Mitchellville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended

June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Mitchellville's Responses to the Findings

The City of Mitchellville's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Mitchellville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Mitchellville during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
January 21, 2015

CITY OF MITCHELLVILLE

Schedule of Findings

Year ended June 30, 2014

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-14 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The posting of the cash receipts and disbursements to the general ledger, reconciliations and securities control and custody were all done by the same person for the majority of the fiscal year ended June 30, 2014.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - Duties are assigned to the extent possible to provide control through review of financial transactions and reports and segregation of duties.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MITCHELLVILLE

Schedule of Findings - Continued

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting:

III-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in debt service function.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

III-B-14 Questionable Disbursements - We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions - There were no business transactions between the City and City officials or employees during the year.

III-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-14 Deposits and Investments - No instances of non-compliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-14 Revenue Bonds and Notes - No instances of non-compliance with the revenue note resolutions were noted.

III-I-14 Financial Condition - The Tax Increment Financing Fund had a deficit balance of \$264 at June 30, 2014.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The City agrees the deficit fund balance is not desirable. The City will look into why these funds have deficits and make necessary adjustments to bring this fund to a positive balance.

CITY OF MITCHELLVILLE

Schedule of Findings - Continued

Year ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting - Continued:

III-J-14 Urban Renewal Annual Report - The following exceptions were noted:

The City did not include the beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment - Low to Moderate Income Fund on the Levy Authority Summary.

The amount reported by the City as TIF debt outstanding was overstated by \$215,440.

The City did not transfer \$1,339 into the LMI Fund as required by the development agreement.

Recommendation - The City should ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records and maintain the LMI Fund at the amount required by the development agreement.

Response - These items will be corrected.

Conclusion - Response accepted.